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FISCAL IMPACT STATEMENT

LS 6802

BILL NUMBER: HB 1138

NOTE PREPARED: Dec 28, 2012

BILL AMENDED:

SUBJECT: Indiana Nanotechnology Initiative.

FIRST AUTHOR: Rep. Dvorak

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill allows the award of grants or loans from the Indiana 21st Century Research and Technology Fund (21 Fund) to support proposals for economic development in nanotechnology. It also provides a Personal Property Tax exemption for certain nanotechnology equipment.

Effective Date: July 1, 2013.

Explanation of State Expenditures: *21 Fund:* This bill adds nanotechnology to the list of areas of investment that may receive grants or loans from the 21 Fund. Currently, the fund may provide investments to companies engaged in biomedical research and biotechnology, information technology, development of alternative fuel technologies, development and production of fuel-efficient vehicles, and other high-technology industry clusters requiring high-skill, high-wage employees. The purpose of the fund is to provide financial assistance to Indiana technology-based companies so that they can transition from early-stage research to product development.

Background Information: The 21 Fund was created in 1999 to provide grants or loans to companies engaged in the commercialization of new technology and creating high-wage jobs in Indiana. In FY 2012, the 21 Fund made investments in five companies totaling \$3.45 M. Reportedly, those investments also attracted \$21.8 M in private investment. The 21 Fund had a cash balance of \$37.6 M as of December 27, 2012.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: This bill would provide an exemption from property taxes for nanotechnology equipment. The exemption would apply to equipment that is directly related to nanotechnology research and to equipment that is primarily used in a project, program, or business based on nanotechnology.

The exemption would be available for existing, as well as new nanotechnology equipment. The amount of assessed value to be exempted is indeterminable at this time. Regarding existing equipment, the property tax exemption would reduce the current tax base and shift property taxes to all other property in the form of an increased tax rate. The amount of the tax shift and the size of the increase in the tax rate is indeterminable at this time.

Because of an increase in tax rates, the property taxes of more taxpayers could rise above the applicable tax cap, resulting in an increase in circuit breaker credits. As a result, total local revenues could decrease. The revenue for cumulative funds would be reduced by the product of the fund rate multiplied by the deduction amount applicable to that fund.

If there is an increase in development because of this provision, any additional new property that doesn't qualify for the exemption would be placed on the tax rolls. This could help spread the property tax burden and could possibly reduce some tax rates.

State Agencies Affected: Indiana Economic Development Corporation.

Local Agencies Affected: Township and county assessors; Civil taxing units and school corporations.

Information Sources: *21 Fund Annual Report* (2011-2012); State Budget Agency Auditor's Database.

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